

Message Text

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71

ACTION EUR-25

INFO OCT-01 IO-12 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 ADP-00 RSR-01

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R 041829 Z MAY 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9826

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

USMISSION GENEVA

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E. O. 11652: N/A

TAGS: ETRD, FR

SUJB: VIEWS OF FRENCH FINANCE MINISTER ON TRADE NEGOTIATIONS

REF: PARIS 12302

1. DURING CONVERSATION WITH ME REPORTED REFTEL, VALERY GISCARD D'ESTAING, MINISTER OF FINANCE AND ECONOMIC AFFAIRS, MADE A NUMBER OF OBSERVATIONS ON TRADE NEGOTIATIONS. HE BEGAN HIS REMARKS BY NOTING THAT THERE WERE SIGNIFICANT POINTS OF DISAGREEMENT BETWEEN FRANCE AND THE U. S. HE SAID FRANCE

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HAD A DEFICIT OF \$1 BILLION IN ITS TRADE WITH THE U. S. IN 1972 AND THUS IN NO WAY FELT RESPONSIBLE FOR THE U. S. DEFICIT, EVEN THOUGH HE RECOGNIZED THAT THE EC AS A WHOLE HAD A SMALL TRADE SURPLUS WITH THE U. S. I REMARKED THAT WE WERE IN A MULTI-

LATERAL TRADING SYSTEM AND WHAT COUNTED WAS NOT BILATERAL BALANCE BUT OVERALL BALANCE. THE DEFICITS OF DEFICIT COUNTRIES HAD THEIR COUNTERPARTS IN THE SURPLUSES OF SUPPLUS COUNTRIES. GISCARD DID NOT PURSUE THE POINT.

2. GISCARD THEN TURNED TO THE U. S. TRADE BILL AND, ECHOING REMARKS MADE TO THE PRESS AFTER HIS MEETING WITH THE JAPANESE FOREIGN MINISTER (PARIS 12136), SAID U. S. LEGISLATION WAS OBVIOUSLY OF KEY IMPORTANCE IN THE TRADE NEGOTIATIONS. HE DID NOT SEE HOW NEGOTIATIONS COULD BEGIN UNTIL THE CONGRESS HAD PASSED THE BILL AND HE ASKED WHAT THE OUTLOOK WAS. ECONMIN REPLIED THAT OUR CURRENT ESTIMATE WAS THAT FINAL CONGRESSIONAL ACTION WAS NOT LIKELY BEFORE THE END OF THE YEAR. GISCARD SAID HE WAS AFRAID THIS WOULD DELAY THE START OF NEGOTIATIONS. ECONMIN ASKED IF GISCARD REALLY MEANT THAT NEGOTIATIONS COULD NOT BEGIN UNTIL THE BILL IS PASSED. IT WAS THE U. S. VIEW THAT, IF IT WAS CLEARLY EVIDENT BY THE TIME OF THE TOKYO MEETING IN SEPTEMBER THAT CONGRESS WAS FAVORABLY DISPOSED TOWARD THE BILL THAT PASSAGE IN SUBSTANTIALLY ITS PRESENT FORM WAS LIKELY, THIS WOULD BE GOOD ENOUGH TO PERMIT NEGOTIATIONS TO BEGIN. HE FURTHER NOTED THAT CONGRESSMAN MILLS HAD COME OUT IN SUPPORT OF THE BILL, WHICH WAS OBVIOUSLY AN INDICATOR OF GREAT SIGNIFICANCE. GISCARD REPLIED THAT ONE MIGHT PERHAPS GET THE ORGANIZATIONAL BUSINESS OF THE NEGOTIATIONS OUT OF THE WAY BEFORE THE TRADE BILL WAS PASSED, BUT HE DID NOT SEE HOW THERE COULD BE ANY REAL BARGAINING UNTIL THE BILL HAD BEEN PASSED AND IT WAS CLEARLY WHAT AUTHORITIES THE PRESIDENT HAD BEEN GIVEN.

3. GISCARD SAID THIS WAS OBVIOUSLY NOT THE TIME TO NEGOTIATE BUT HE DID FEEL IMPELLED TO NOTE THAT THE COMMUNITY COULD NOT ACCEPT THE REDUCTION OF TARIFFS TO ZERO IN THESE NEGOTIATIONS. I REPLIED THAT THIS HAD BEEN SUGGESTED BY THE U. S. ONLY AS A GOAL AND THAT WE DID NOT EXPECT ZERO DUTY IN ANY NEAR- TERM FUTURE. I SAID I THOUGHT THERE WAS A CONSIDERABLE AMOUNT OF MISUNDERSTANDING ABOUT U. S. OBJECTIVES IN TRADE NEGOTIATIONS, WHICH IT WAS IMPORTANT TO CLEAR UP. FOR EXAMPLT, FRENCH LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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PATRONAT PRESIDENT CEYRAC IN A RECENT SPEECH (PARIS 10310) HAD CHARGED THAT THE U. S. SEEMED TO BE SEEKING TO USE THE TRADE NEGOTIATIONS AS A MEANS OF SUPPLEMENTING THE TWO DEVALUATIONS OF THE DOLLAR IN ORDER TO OBTAIN FURTHER HELP FOR OUR TRADE BALANCE THROUGH UNRECIPROCATED TRADE CONCESSIONS. THIS WAS CORRECT. WE WERE NOT SEEKING UNILATERAL ADVANTAGES FROM THE NEGOTIATIONS. WE INTENDED TO GEGOTIATE ON THE BASIS OF RECIPROCITY AND OUR OBJECTIVE IN THE NEGOTIATIONS WAS THE SME AS EVERYONE ELSE' S, NAMELY, FURTHER EXPANSION OF WORLD TRADE THROUGH TRADE LIBERALIZATION. GISCARD SAID HE WELCOMED THIS STATEMENT SINCE THIS HAD NOT ALWAYS BEEN OUR POSITION. HE RECALLED THAT FORMER TREASURY SECRETARY CONNALLY, AT THE G-10 MEETING AT ROME

IN THE FALL OF 1971, HAD SOUGHT UNILATERAL CONCESSIONS FROM THE EC AND HAD DECLARED IN A PICTURESQUE INTERVENTION THAT U. S. TRADE NEGOTIATORS WERE WAITING DOWNSTAIRS TO TALK.

4. WHATEVER IMPRESSION GISCARD MIGHT HAVE HAD IN THE PAST, I SAID, THE U. S. POSITION WAS CLEAR: WE INTENDED TO NEGOTIATE ON THE BASIS OF RECIPROCITY. THIS WAS NOT TO SAY THAT THERE WOULD NOT BE HARD BARGAINING. FOR EXAMPLE, WE WOULD INSIST ON THE INCLUSION OF AGRICULTURE IN THE NEGOTIATIONS. HOWEVER, THIS DID NOT MEAN, AS SOME EUROPEANS FEARED, THAT WE WERE TRYING TO BREAK UP THE CAP. WE UNDERSTOOD THAT THE COMMUNITY REQUIRED A COMMON AGRICULTURAL POLICY. WE HOPED, HOWEVER, THAT IT COULD BE MANAGED IN WAYS THAT WERE NOT PREJUDICIAL TO THE INTEREST OF THIRD COUNTRIES, FOR EXAMPLE, THROUGH A MODIFICATION OF THE PRICE STRUCTURE TO FAVOR LIVESTOCK PRODUCTION AT THE EXPENSE OF CEREALS.

5. GISCARD SAID HE ALSO WELCOMED THIS STATEMENT, WHICH HE HOPED WE WOULD KEEP REPEATING, BECAUSE FRENCH FARMERS WERE CONVINCED THAT THE U. S. SOUGHT THE DISMANTLING OF THE CAP AND THIS INCREASED THEIR SUSPICION OF U. S. MOTIVES IN SEEKING TRADE NEGOTIATIONS. HE SAID HE ALSO AGREED WITH MY OBSERVATIONS ON THE NEED FOR A MORE RATIONAL PRICE STRUCTURE WITHIN THE CAP. FRANCE HAD LONG DESIRED LOWER GRAIN PRICES AND STRONGER INCENTIVES FOR LIVESTOCK PRODUCTION BUT RECOGNIZED THAT GERMANY, THE PRINCIPAL ADVOCATE OF HIGH GRAIN PRICES, NEEDED MORE TIME TO SOLVE ITS FARM PROBLEM. NONETHELESS, FRANCE BELIEVED THAT TIME HAD RUN OUT. THE GOF HAD TAKEN EXTREMELY FIRM LINE ON GRAIN PRICES IN THE RECENT EC MARATHON AND IN THE NEXT GO-LIMITED OFFICIAL USE
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ROUND ON PRICES WOULD EXTEND THIS PRESSURE ALL ALONG THE LINE. THIS DID NOT MEAN THAT FRANCE FAVORED FREE TRADE IN AGRICULTURE. THE WORLD WAS NOT YET READY FOR THIS. HE ADDED THAT THE PROBLEM OF WORLD COMMODITY PRICES, INCLUDING OIL, WAS ONE WHICH WAS CAUSING THE GOF CONSIDERABLE CONCERN. THIS WAS A MATTER WHICH PRESIDENT POMPIDOU WOULD WANT TO RAISE WITH PRESIDENT NIXON.

6. IN CONCLUSION, I SAID I WELCOMED A FRANK DISCUSSION OF OUR DIFFERENCES; I BELIEVED THAT SUCH DISCUSSIONS WOULD HELP ELIMINATE MISUNDERSTANDINGS AND FACILITATE SOLUTIONS OF THE MANY DIFFICULT PROBLEMS WHICH WE FAC

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